Financial Statements

Notes to the Consolidated Financial Statements

for the year to 31 December 2009

1. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a going concern basis and on a historical cost basis except as otherwise stated below. The Group completed the renegotiation of its debt on 7 April 2009 with its banks and private placement holders regarding a revised covenant and financing package (the Override agreement). This has resulted in the alignment of the maturity dates of all its debt to 3 July 2012; a reduction in the revolving credit facility and amendments to the margin and coupon rates on borrowings. On 1 June 2009 the Group successfully completed an equity placing and open offer to raise £510.1 million, net of issue costs. The transaction was executed such that it created additional distributable reserves of £488.8 million. The proceeds of the equity raise have been used to pay down debt and cancel associated facilities, thereby avoiding additional finance charges.

The Group has met all its interest and other payment obligations on time, and after reviewing cash flow forecasts for a period of not less than 12 months from the date of signing the consolidated financial statements, the Directors are satisfied that, whilst the economic and market conditions continue to be challenging and not without risk, the refinancing package as well as the equity raised, is sufficiently robust as to adequacy of both facility and covenant headroom to enable the Group to operate within its terms for at least the next 12 months.

The principal accounting policies adopted, which have been applied consistently, except as otherwise stated, are set out below.

Basis of accounting

The consolidated financial statements have been prepared in accordance with applicable International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations as adopted for use in the European Union and those parts of the Companies Act 2006 applicable to companies reporting under IFRS relevant to the Group's operations and effective for accounting periods beginning on 1 January 2009.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where a subsidiary is disposed of which constituted a major line of business, it is disclosed as a discontinued operation. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

Joint ventures

Undertakings are deemed to be a joint venture when the Group has joint control via either voting rights or a formal agreement which includes that unanimous consent is required for strategic, financial and operating decisions. Joint ventures are consolidated under the equity accounting method. On transfer of land and/or work in progress to joint ventures, the Group recognises only its share of any profits or losses, namely that proportion sold outside the Group.

Where a jointly controlled operation is undertaken the related assets and liabilities are consolidated on a proportional consolidation basis.

Segmental reporting

The Group has adopted IFRS 8 Operating Segments, which requires information to be presented consistently to how the business is reviewed internally. However this has minimal impact to how the segmental data is presented. The Group is divided into four operating divisions for management reporting and control:

- Housing United Kingdom;
- Housing North America;
- Housing Spain and Gibraltar; and
- Corporate

On 9 September 2008, Taylor Wimpey plc disposed of Taylor Woodrow Construction (TWC) the results of which have been presented as discontinued. The business was sold for £74.0 million in cash resulting in a profit on disposal of £55.6 million. On disposal, the continuing Group repaid £89.5 million of intercompany balances owing to TWC. The cash costs of disposal were £3.4 million, and £4.2 million of cash was disposed of with the business. During 2008, the Group also disposed of a mining operation in Ghana for £11 million in cash.

On 21 April 2009, the Group disposed of its remaining construction operations in Ghana to existing local management for £1 in cash, giving rise to a profit on sale of £0.2 million. The results of the Ghana operations have been presented within continuing operations within the Corporate business segment.

Revenue

Revenue comprises the fair value of the consideration received or receivable, net of value added tax, rebates and discounts and after eliminating sales within the Group. Revenue and profit are recognised as follows:

(a) Private housing development properties and land sales

Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the purchaser. Revenue in respect of the sale of residential properties is recognised at the fair value of the consideration received or receivable on legal completion.

(b) Cash incentives

Cash incentives are considered to be a discount from the purchase price offered to the acquirer and are therefore accounted for as a reduction to revenue.

(c) Contracting work

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. This is normally measured by surveys of work performed to date. Variations in contract work, claims and incentive payments are included to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(d) Interest receivable

Interest income on bank deposits is recognised on an accruals basis.

1. Significant accounting policies (continued)

Exceptional items
Exceptional items are defined as items of income or expenditure which, in the opinion of the Directors, are material and unusual in nature or of such significance that they require separate disclosure on the face of the income statement in accordance with IAS 1 Presentation of Financial Statements.

Foreign currencies
The individual statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies other than the functional currency are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at an appropriate average rate for the year. Exchange differences arising are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as assets and liabilities denominated in the functional currency of the company in which they arose.

The Group enters into forward contracts in order to hedge its exposure to certain foreign exchange transaction risks relating to the functional currency in accordance with Group policy. It also uses foreign currency borrowings and currency swaps to hedge its net investment exposure to certain overseas subsidiaries (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

Operating leases
The Group as lessee
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable (and costs paid and payable) as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Goodwill
Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, joint venture, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to cash-generating units. The allocation is made to those cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary or jointly-controlled entity, the carrying value of any attributable goodwill is included in the determination of the profit or loss on disposal.

Goodwill arising on acquisitions before the date of transition to IFRSs was retained at the previous UK GAAP amounts, and was subjected to impairment testing at that date. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Other intangible assets
Brands
Internally generated brands are not capitalised. Acquired brands are capitalised. Their values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. Brands are stated at cost, less accumulated amortisation and any accumulated impairment losses.

Software development costs
Costs that are directly associated with the production of identifiable and unique software controlled by the Group, and that generate economic benefits beyond one year, are recognised as intangible assets. Computer software development costs recognised as assets are amortised on a straight-line basis over three to five years from the time of implementation, and are stated at cost less accumulated amortisation and any accumulated impairment losses.

Property, plant and equipment
Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Freehold land is not depreciated. Buildings are depreciated over 50 years.

Plant and equipment is stated at cost less depreciation. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives. Depreciation is charged, where material, on buildings over the expected useful life of the asset. Other assets are depreciated using the straight-line method, on the following bases:

Plant, fixtures and equipment 20–25%; and computer equipment 33%.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds, less any selling expenses, and the carrying amount of the asset and is recognised in the income statement.

Impairment of tangible and intangible assets excluding goodwill
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. If the recoverable amount of a cash-generating unit is estimated to be less than its carrying amount, impairment losses are allocated first to the intangible assets in the cash-generating unit.

1. Significant accounting policies (continued)

If the full impairment of intangible assets is not sufficient to reduce the carrying value of the cash-generating unit to its recoverable amount, tangible fixed assets must then be reviewed for impairment. If the recoverable amount of tangible fixed assets exceeds their carrying value, no further impairment is required. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables and other receivables

Trade receivables on normal terms excluding derivative financial instruments do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated unrecoverable amounts. Trade receivables on extended terms, particularly in respect of land, are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate. Derivative financial instruments are measured at fair value.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables on normal terms are not interest bearing and are stated at their nominal value. Trade payables on extended terms, particularly in respect of land, are recorded at their fair value at the date of acquisition of the asset to which they relate. The discount to nominal value is amortised over the period of the credit term and charged to finance costs. Derivative financial instruments are measured at fair value.

Derivative financial instruments and hedge accounting

The Group uses forward exchange contracts to hedge transactions denominated in foreign currencies. The Group also uses foreign currency borrowings and currency swaps to hedge its net investment exposure to movements in exchange rates on translation of certain individual financial statements denominated in foreign currencies other than Sterling which is the functional currency of the parent Company. Interest rate derivatives are used to manage interest rate risk in respect of borrowings. The Group does not use derivative financial instruments for speculative purposes.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of net investments in foreign operations are recognised directly in reserves and the ineffective portion, if any, is recognised immediately in the income statement.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged with the corresponding entry in the income statement. Gains or losses from re-measuring the derivative, or for non-derivatives the foreign currency component of its carrying amount, are also recognised in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in reserves is retained in reserves until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in reserves is transferred to the income statement for the period.

Following the refinancing of the Group's debt, restrictions in the refinancing agreement have resulted in the Group being limited in its ability to undertake new hedging positions.

Customer deposits

Customer deposits are recorded as a liability within 'other payables' on receipt and released to the income statement as revenue upon legal completion.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date and are discounted to present value where the effect is material.

Inventories

Inventories are initially stated at cost or at the fair value at acquisition date when acquired as part of a business combination and then held at the lower of this initial amount and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Land is recognised in inventory when the significant risks and rewards of ownership have been transferred to the Group.

Non-refundable land option payments are initially recognised in inventory. They are reviewed regularly and written off to the income statement when it is not probable that they will be exercised.

Taxation

The tax charge represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

1. Significant accounting policies (continued)

Deferred tax
Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are also recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred taxation is measured on a non-discounted basis using the tax rates and laws that have then been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to reserves, in which case the deferred tax is also dealt with in reserves.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2005.

The Group issues equity-settled and cash-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest after adjusting for the effect of non-market vesting conditions.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

Employee benefits

The Group accounts for pensions and similar benefits under IAS 19 Employee benefits. In respect of defined benefit plans, obligations are measured at discounted present value whilst plan assets are recorded at fair value. The operating and financing costs of such plans are recognised separately in the income statement; service costs are spread systematically over the lives of employees; and financing costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised immediately in the statement of comprehensive income.

Payments to defined contribution schemes are charged as an expense as they fall due.

Key sources of estimation uncertainty and critical accounting judgements

Estimation of costs to complete
In order to determine the profit that the Group is able to recognise on the proportion of completions for the period, internal site valuations are carried out for each development at regular intervals throughout the year. The valuations will include an estimation of the costs to complete and remaining revenues which may differ from the actual costs incurred and revenues received on completion.

Carrying value of land and work in progress
In order to assess the appropriateness of the carrying value of land and work in progress, the Group is required to make estimations of sales prices, costs and margins expected on sites in order to determine whether any write downs are required to ensure inventory is stated at the lower of cost and net realisable value. Given the deterioration in market conditions experienced during the year, the Group has undertaken a detailed review on a site-by-site basis of the net realisable value of its land and work in progress. As a result, the Group has written down the value of its land and work in progress in the UK, US, and Spain by £527.0m (2008: £1,012.8), as shown in Note 5.

Impairment of goodwill and other intangible assets
The determination of whether goodwill and other intangible assets are impaired requires an estimation of the value in use of the cash-generating units to which the asset has been allocated. The value in use calculation involves significant judgement including an estimate of the future cash flows expected to arise from the cash-generating unit, the future growth rate of revenue and costs, and a suitable discount rate. The estimates of future cash flows used in the 2008 impairment test performed as at 31 December 2008 reflected the current weak trading conditions in the Group's major markets, and as a result, the Group has fully wrote down the value of its goodwill and other intangible assets as described in Note 11 and 12. Impairment of goodwill may not be reversed. If the current weak trading conditions reverse, the impairment provision relating to other intangible assets may reverse in part or in whole.

Pensions
The value of plan assets and liabilities is determined based on various long term actuarial assumptions, including future rates of inflation, salary growth, yields, returns on investments and mortality rates. Changes in these assumptions over time and differences to the actual outcome will be reflected in the Group's statement of comprehensive income. Note 22 details the main assumptions in accounting for the Group's defined benefit pension schemes.

Tax and deferred tax
Aspects of tax accounting require management judgement and interpretation of tax legislation across many jurisdictions, in some cases relating to items which may not be resolved with the relevant tax authority for many years.

In determining the carrying amounts of deferred tax assets, management is required to assess the timing of the utilisation of provisions for tax purposes and the extent to which sufficient taxable profit will be available to enable the asset to be recovered.

Going concern
The Group completed the renegotiation of its debt with its banks and private placement holders regarding a revised covenant and refinancing package on 7 April 2009. This resulted in the alignment of all the debt maturity dates to 3 July 2012; a reduction in the revolving credit facility and amendments to margin and coupon rates. To date the Group has been in compliance with these covenants and based on Board approved budgets the Group will be in compliance for the foreseeable future.

Accordingly the accounts have been prepared on a going concern basis. This is also discussed further within the Directors' Report page 31.

1. Significant accounting policies (continued)

Adoption of new and revised standards and interpretations

Standards, amendments and interpretations effective in 2009

IAS 1 (revised) Presentation of Financial Statements (effective from 1 January 2009). The main changes from the previous standard requires the Group to:

- Present all non-owner changes in equity in one statement of comprehensive income (effectively combining the current income statement and statement of changes in recognised income and expenses) or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income must be presented separately from the statement of changes in equity;
- Present a statement of financial position (balance sheet) as at the beginning of the earliest comparative period when the entity applies an accounting policy retrospectively or makes a retrospective restatement;
- Disclose income tax relating to each component of other comprehensive income;
- Disclose reclassification adjustments relating to components of other comprehensive income; and
- Present a statement of changes in equity as a primary statement.

This amendment has resulted in additional disclosure being presented in these financial statements.

IAS 23 (Amendment) Borrowing costs (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing borrowing costs is removed. This amendment has no impact on the Group's financial statements due to the exemption available within IAS 23, as the Group produces large quantities of similar houses on a repetitive basis.

IFRS 2 (Amendment) Vesting conditions and cancellations (effective from 1 January 2009). The amendments change the definitions of vesting conditions and introduce the concept of a "non-vesting condition". Vesting conditions will now be restricted to service and performance conditions only. A performance condition only meets the definition of a vesting condition where it has an implicit service requirement. This amendment has had no impact on the Group's financial statements.

IFRS 8 Operating segments (effective from 1 January 2009). IFRS 8 amends the current segmental reporting requirements of IAS 14 and requires "management approach" to be adopted so that segment information is presented on the same basis as that used for internal reporting purposes. This standard will apply from the annual period commencing 1 January 2009. However this standard has not resulted in significant changes to reportable segments (Note 4).

IFRIC 15 Arrangements for the Construction of Real Estate. IFRIC 15 sets out guidance for whether the accounting for the construction of real estate should fall within IAS 18 Revenue, where a developer sells completed units or, IAS 11 Construction Contracts, where a developer has been commissioned for a construction by a buyer. This interpretation has not had any effect on the Group's financial statements as the Group already complies with this IFRIC.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation. IFRIC 16 clarifies the accounting treatment of hedges taken out to hedge foreign exchange differences arising from differences between a Group and its subsidiary's presentational currencies and hedges of differences between functional currencies. This is not expected to have any effect on the Group's financial statements as the Group already complies with this IFRIC.

Standards and interpretations in issue but not yet effective

Standards, amendments and interpretations to existing standards that are not yet effective and have not been adopted early by the Group

IAS 39 (Amendment) Eligible hedged items (effective from 1 July 2009). The amendment to the standard was endorsed by the European Union on 15 September 2009. The amendment requires that inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows of a recognised financial instrument. The amendment also permits an entity to designate purchased options as a hedging instrument in a hedge of a financial or non-financial item. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 1 (revised) First-time Adoption of International Financial Reporting Standards (effective from 1 July 2009). The amendment to the standard is still subject to endorsement by the European Union. The objective of the revised version of IFRS 1 is to improve the structure of the Standard – no new or revised technical material has been introduced. This amendment is not expected to have any impact on the Group's financial statements.

IFRS 3 (revised) Business Combinations and IAS 27 (revised) Consolidated and Separate Financial Statements (effective from 1 July 2009). The revisions include a greater emphasis on the use of fair value, focusing on changes in control as a significant economic event and focusing on what is given to the vendor as consideration. This amendment has not had any immediate impact on the Group's financial statements.

IAS 32 (Amendment) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective from 1 January 2010). Relevant for companies that have puttable financial instruments or instruments, or components of instruments, that impose an obligation on the entity to deliver to another party a pro-rata share of net assets on liquidation only. This amendment is not expected to have any impact on the Group's financial statements.

IFRIC 17 Distributions of Non-Cash Assets to Owners. IFRIC 17 requires that distributions of non-cash assets to owners should be recognised and measured at the fair value of the non-cash assets when the dividend is appropriately authorised, and that the difference between the carrying amount of the assets distributed and the dividend payable should be recognised in profit or loss on settlement of the dividend payable. This amendment is not expected to have any impact on the Group's financial statements.

IFRIC 18 Transfer of assets from customers. IFRIC 18 clarifies the requirements of IFRSs for agreements where an entity receives assets or cash to provide a customer with ongoing access to goods or supplies. This is not expected to have any impact on the Group's financial statements.

IFRIC 19 Extinguishing financial liabilities with equity instruments (effective 1 July 2010). IFRIC 19 clarifies that equity instruments are part of the consideration paid to extinguish a financial liability and should be measured at their fair value. This amendment is not expected to have any significant impact on the Group's financial statements.

2. General information

Taylor Wimpey plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 113. The nature of the Group's operations and its principal activities are set out in Note 4 and in the Chief Executive's Review on pages 6 to 10.

These financial statements are presented in pounds Sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policy set out on pages 62 to 63.

3. Revenue

An analysis of the Group's revenue is as follows:

	2009 £m	2008 £m
Continuing operations:		
Housing	2,527.4	3,342.1
Land sales	58.3	89.4
Other revenues (including Construction)	9.9	36.2
Consolidated revenue	2,595.6	3,467.7
Interest receivable	10.6	8.5
	2,606.2	3,476.2
Discontinued operations:		
Revenue	–	453.4
Interest receivable	–	0.1
	–	453.5
Total Group	2,606.2	3,929.7

Housing revenue includes £114.5m (2008: £193.0m) in respect of the value of properties accepted in part exchange by the Group.

4. Operating segments

The Group has adopted IFRS 8 Operating segments requiring information to be presented in the same basis as it is reviewed internally. The Group's Board of Directors view the businesses on a geographic basis when making strategic decisions for the Group and as such the Group is organised into four operating divisions – Housing United Kingdom, Housing North America, Housing Spain and Gibraltar, and Corporate.

Taylor Woodrow Construction, previously reported as the business segment 'Construction', was disposed of on 9 September 2008, and is disclosed as a discontinued operation in 2008. The results and net assets of a minor residual construction operation, which was disposed of in April 2009, are presented within the 'Corporate' segment.

Segment information about these businesses is presented below:

2009	Housing United Kingdom £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £m
Revenue from continuing operations:					
External sales	1,700.4	824.3	61.0	9.9	2,595.6
Result from continuing operations:					
Operating profit/(loss) before joint ventures and exceptional items	15.3	41.5	(1.4)	(17.7)	37.7
Share of results of joint ventures	(1.0)	6.6	–	–	5.6
Profit/(loss) on ordinary activities before finance costs, exceptional items and after share of results of joint ventures	14.3	48.1	(1.4)	(17.7)	43.3
Exceptional items	(452.8)	(79.8)	(3.3)	(44.8)	(580.7)
Loss on ordinary activities before finance costs, after share of results of joint ventures	(438.5)	(31.7)	(4.7)	(62.5)	(537.4)
Finance costs, net (including exceptional finance costs)					(162.5)
Loss on ordinary activities before taxation					(699.9)
Taxation (including exceptional tax)					59.3
Loss for the year – total Group					(640.6)

4. Operating segments (continued)

2009	Housing United Kingdom* £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £m
Assets and liabilities:					
Segment operating assets	2,865.4	805.4	124.5	11.6	3,806.9
Joint ventures	30.0	21.7	0.2	–	51.9
Segment operating liabilities	(1,202.3)	(269.0)	(21.2)	(54.1)	(1,546.6)
Net operating assets/(liabilities)	1,693.1	558.1	103.5	(42.5)	2,312.2
Goodwill					2.4
Net current taxation					(181.6)
Net deferred taxation					118.8
Net debt					(750.9)
Net assets					1,500.9

* Following the disposal of the Construction division and other subsidiaries that previously participated in the Taylor Woodrow Group Pension and Life Assurance Fund the Group has determined that all the participating interests materially sit within the Housing United Kingdom business segment.

2009	Housing United Kingdom £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £m
Other information:					
Property, plant and equipment additions	0.8	0.8	0.7	0.2	2.5
Depreciation – plant and equipment	2.3	1.5	0.7	0.2	4.7

2008 segment information about these businesses is presented below:

2008	Housing United Kingdom £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £m
Revenue from continuing operations:					
External sales	2,390.1	981.6	59.8	36.2	3,467.7
Result from continuing operations:					
Operating profit/(loss) before joint ventures, brand amortisation and exceptional items	53.2	52.1	(2.4)	(14.2)	88.7
Share of results of joint ventures	(0.2)	7.8	–	–	7.6
Profit/(loss) on ordinary activities before finance costs, exceptional items and brand amortisation, after share of results of joint ventures	53.0	59.9	(2.4)	(14.2)	96.3
Brand amortisation	(2.4)	–	–	–	(2.4)
Exceptional items	(1,750.4)	(76.6)	(37.4)	(20.1)	(1,884.5)
Loss on ordinary activities before finance costs, after share of results of joint ventures	(1,699.8)	(16.7)	(39.8)	(34.3)	(1,790.6)
Finance costs, net (including exceptional finance costs)					(179.1)
Loss on ordinary activities before taxation					(1,969.7)
Taxation (including exceptional tax)					76.6
Result from discontinued operations:					
Profit for the year from discontinued operations					53.1
Loss for the year – total Group					(1,840.0)

4. Operating segments (continued)

2008	Housing United Kingdom* £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £m
Assets and liabilities:					
Segment operating assets	3,919.9	1,014.8	175.4	25.2	5,135.3
Joint ventures	45.4	22.1	0.2	–	67.7
Segment operating liabilities	(1,379.6)	(359.1)	(47.6)	(113.4)	(1,899.7)
Net operating assets/(liabilities)	2,585.7	677.8	128.0	(88.2)	3,303.3
Net current taxation					(106.1)
Net deferred taxation					5.3
Net debt					(1,529.3)
Net assets					1,673.2

* The Group was unable to allocate the defined benefit pension scheme assets and liabilities of the Taylor Woodrow Group Pension and Life Assurance Fund, a multi-employer pension scheme, on an actuarial basis by entity. However, for the purposes of the 2008 segmental analysis above, the Group has allocated the deficit to Housing United Kingdom as the participating entities materially sit within this business segment. The assets and liabilities of the George Wimpey Staff Pension Scheme have been allocated in their entirety to Housing United Kingdom.

2008	Housing United Kingdom £m	Housing North America £m	Housing Spain and Gibraltar £m	Corporate £m	Consolidated £m
Other information:					
Property, plant and equipment additions	2.3	1.3	0.1	5.5	9.2
Amortisation of intangibles	6.7	–	–	–	6.7
Depreciation – plant and equipment	3.5	1.5	0.2	2.3	7.5

5. Net operating expenses and profit on ordinary activities before finance costs

Net operating expenses, continuing operations:	2009 £m	2008 £m
Administration expenses	**198.9**	269.0
Net other income	**(6.4)**	(25.8)
Exceptional items	**53.7**	871.7
	246.2	1,114.9

Net other income includes profits on the sale of property, plant and equipment and broker fees from mortgage origination services.

Exceptional items, continuing operations:	2009 £m	2008 £m
Net land and work in progress write downs	**527.0**	1,012.8
Goodwill impairment	**–**	699.8
Other intangible impairments	**–**	116.3
Restructuring costs	**8.9**	35.1
Refinancing costs	**44.8**	20.5
Exceptional items	**580.7**	1,884.5

Whilst current market conditions are stable, there remains the possibility of further increases in unemployment, continuing scarcity of mortgage finance and the prospect of interest rates rising from their current historic lows. Therefore, the Group considered it appropriate to adjust downward some of the previous assumptions in relation to future selling prices in the first half of 2009. The Group have, inter alia, also reviewed in detail and revised where appropriate the previous assumptions for costs and other risks. This has resulted in further land and work in progress net write downs of £527.0m (31 December 2008: £1,012.8m) to the lower of cost and net realisable value in the first half of 2009. During the year the Group reversed £29.8m of write downs (2008: £59.0m) where management's estimates of the recoverable value for certain land and work in progress had improved. This reversal is treated as exceptional income and netted off the exceptional charge.

Restructuring costs of £8.9m (31 December 2008: £35.1m) are predominantly in relation to the ongoing rationalisation of the UK business. The costs incurred in both years include redundancy costs and costs incurred in relocating certain functions and operations. Refinancing costs of £44.8m (31 December 2008: £20.5) were predominantly exceptional fees in relation to the refinancing of the Group's debt. Additional refinancing interest related costs of £23.1m (31 December 2008: £10.5m) are included within exceptional finance costs in the Income Statement.

5. Net operating expenses and profit on ordinary activities before finance costs (continued)

In the year to 31 December 2008, the group fully wrote down goodwill by £699.8m and other intangible assets by £116.3m following a detailed impairment review.

Profit on ordinary activities before financing costs for continuing operations has been arrived at after charging/(crediting):	2009 £m	2008 £m
Cost of inventories recognised as expense in cost of sales, before write downs of inventories	2,244.1	2,946.9
Write downs of inventories	556.8	1,071.8
Reversal of specific write downs of inventories	(29.8)	(59.0)
Depreciation – plant and equipment	4.7	7.5
Amortisation – intangibles*	–	123.0
Minimum lease payments under operating leases recognised in income for the year	7.5	8.8

* The amortisation of intangibles in 2008 includes the impairments of the George Wimpey brand of £103.9m and of software development costs of £12.4m.

The remuneration paid to Deloitte LLP, the Group's external auditors, is as follows:	2009 £m	2008 £m
Fees payable to the Company's auditors for the audit of the Company's annual accounts and consolidated financial statements	0.2	0.2
The audit of the Company's subsidiaries pursuant to legislation	0.6	0.6
Total audit fees	0.8	0.8
Other services pursuant to legislation	0.1	0.1
Tax services	0.6	0.3
Corporate finance services	0.4	2.2
Other services	0.5	0.6
Total non-audit fees	1.6	3.2
Total fees	2.4	4.0

Non-audit services in 2009 predominantly relate to work undertaken as a result of Deloitte LLP's role as auditors, or work resultant from knowledge and experience gained as part of the role. Corporate finance services include necessary work related to the Group's 2009 equity raise and advice and support with bank renegotiations. Their work was either the subject of a competitive tender or was best performed by the Group's auditors because of their knowledge of the Group. Tax services include tax compliance work and advisory services for Taylor Wimpey plc and subsidiaries. Other services include advice in respect of the Group's forecasting and cash management procedures. See page 37 for details of the Group's policies in respect of non-audit services and approval by the Audit Committee.

6. Staff costs

Total Group	2009 Number	2008 Number
Average number employed		
Housing United Kingdom including corporate office	3,469	4,063
Housing North America	849	1,158
Housing Spain and Gibraltar	46	105
Construction – continuing and discontinued*	334	2,743
	4,698	8,069
United Kingdom	3,469	5,090
Overseas	1,229	2,979
	4,698	8,069

* The 2009 Construction staff numbers represent employees of the residual Construction businesses disposed of in April 2009. Of the 2,743 average staff number in 2008, 1,102 related to the disposed Construction business.

6. Staff costs (continued)

	2009 £m	2008 £m
Remuneration		
Wages and salaries	**203.6**	255.3
Redundancy costs	**2.0**	17.9
Social security costs	**18.5**	27.3
Other pension costs	**10.5**	12.7
	234.6	313.2

The information required by the Companies Act 2006 and the Listing Rules of the Financial Services Authority is contained on pages 41 to 50 in the Directors' Remuneration Report.

7. Finance costs

Finance costs from continuing operations are analysed as follows:	2009 £m	2008 £m
Interest on bank loans and overdrafts	**46.5**	72.5
Interest on debenture loans	**62.6**	55.4
Movement on interest rate derivatives	**(11.8)**	10.8
	97.3	138.7
Unwinding of discount on land creditors and other payables	**18.4**	26.7
Notional net interest on pension liability (Note 22)	**34.3**	11.7
	150.0	177.1
Exceptional finance costs:		
Bank loans and debenture fees and interest	**23.1**	10.5
	173.1	187.6

The 2009 exceptional finance costs include £5.5m in relation to the fair value of 57.8m warrants issued to the Group's lenders as part of the debt refinancing and £15.5m of one-off interest payments payable to the Group's lenders as a consequence of early repayment of a portion of the Group's debt, following the equity raise. The exceptional finance costs in the prior year relate to the write off of the remaining unamortised bank loan and debenture fees relating to the Group's financing arrangements which were in place throughout 2008. The amortisation of these fees was accelerated due to the refinancing of the Group's debt arrangements on 7 April 2009.

8. Tax

Tax (credited to)/charged in the income statement for continuing operations is analysed as follows:

		2009 £m	2008 £m
Current tax:			
UK corporation tax:	Current year	**1.1**	(124.3)
	Prior years	**(5.5)**	6.0
Foreign tax:	Current year	**(32.0)**	(22.8)
	Prior years	**2.4**	–
		(34.0)	(141.1)
Deferred tax:			
UK:	Current year	**(25.4)**	32.7
Foreign:	Current year	**0.4**	31.8
	Prior years	**(0.3)**	–
		(25.3)	64.5
		(59.3)	(76.6)

Corporation tax is calculated at 28.0% (2008: 28.5%) of the estimated assessable loss (2008: loss) for the year in the UK. Taxation outside the UK is calculated at the rates prevailing in the respective jurisdictions.

Deferred tax recognised in the Group's statement of comprehensive income is due to actuarial losses on post-retirement liabilities at the prevailing rate in the relevant jurisdiction, and the reinstatement of the deferred tax asset relating to post-retirement liabilities. The UK rate of corporation tax reduced from 30% to 28% from 1 April 2008.

The tax credit for the year includes an amount in respect of exceptional items of £73.6m (2008: £100.0m credit). This is made up of a credit of £25.4m (2008: £91.6m) in respect of UK tax and a credit of £48.2m (2008: £8.4m charge) in respect of US tax. The credit in the UK relates to the reinstatement of the pension deferred tax asset on the Group's defined benefit pension scheme and the credit in the US relates to the five year net operating loss carryback introduced as part of an economic stimulus package in the US in November 2009.

8. Tax (continued)

The credit for the year can be reconciled to the loss per the income statement as follows:	2009 £m	2008 £m
Loss before tax	(699.9)	(1,969.7)
Tax at the UK corporation tax rate of 28% (2008: 28.5%)	(196.0)	(561.4)
(Over)/under provision in respect of prior years	(3.4)	6.0
Tax effect of expenses that are not deductible in determining taxable profit	8.0	205.6
Non-taxable income	(3.7)	(8.4)
Effect of higher rates of tax of subsidiaries operating in other jurisdictions	(6.9)	(1.4)
Losses not recognised	186.0	217.2
Net reduction in deferred tax assets previously recognised	–	65.8
Reinstatement of pension deferred tax asset	(29.6)	–
Temporary differences not recognised	(13.7)	–
Tax credit for the year	(59.3)	(76.6)

9. Dividends

	2009 £m	2008 £m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2008 of nil (2007: 10.25p) per share	–	107.9
Interim dividend for the year ended 31 December 2009 of nil (2008: nil) per share	–	–
	–	107.9

The Group does not propose to pay a final dividend in respect of the 2009 financial year (2008: nil).

10. Earnings per share

	2009	2008 (Restated)
Basic loss per share – total Group	(25.1p)	(132.7p)
Diluted loss per share – total Group	(25.1p)	(132.7p)
Basic loss per share from continuing operations	(25.1p)	(136.5p)
Diluted loss per share from continuing operations	(25.1p)	(136.5p)
Basic earnings per share from discontinued operations	–	3.8p
Diluted earnings per share from discontinued operations	–	3.8p
Adjusted basic loss per share from continuing operations	(4.3p)	(7.2p)
Adjusted diluted loss per share from continuing operations	(4.3p)	(7.2p)
Weighted average number of shares for basic (loss)/earnings per share – million	2,551.8	1,387.4
Weighted average number of shares for diluted (loss)/earnings per share – million	2,551.8	1,387.4
Weighted average number of shares for adjusted diluted (loss)/earnings per share – million	2,551.8	1,387.4

As part of the debt refinancing effective on 30 April 2009, the Group issued 57.8m warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc at par value. Due to their anti-dilutive nature, the warrants have been excluded from the current and prior year calculation of weighted average number of shares for the year.

The prior year number of shares used for calculating earnings per share has been restated to include the effect of the bonus share element of the open offer. The earnings per share for the comparative period have been restated as prescribed in IAS 33 'Earnings per share'.

10. Earnings per share (continued)

Adjusted basic and adjusted diluted loss per share, which exclude the impact of exceptional items and the associated net tax charges, are shown to provide clarity on the underlying performance of the continuing Group. A reconciliation from loss from continuing operations attributable to equity shareholders used for basic and diluted loss per share to that used for adjusted loss per share is shown below.

	2009 £m	2008 £m
Loss from continuing operations for basic loss per share and diluted loss per share	**(640.4)**	(1,894.4)
Add exceptional items (see Notes 5 and 7)	**603.8**	1,895.0
Deduct exceptional tax items	**(73.6)**	(100.0)
Loss from continuing operations for adjusted basic and adjusted diluted loss per share	**(110.2)**	(99.4)

11. Goodwill

	£m
Cost and carrying amount	
At 1 January 2008	699.8
Impairment loss recognised in the year	(699.8)
At 31 December 2008	–
Additions	2.4
At 31 December 2009	**2.4**

In 2009 the North America business acquired the remaining stake in a mortgage advisory service which resulted in the recognition of £2.4m of goodwill. As a result of the 2008 impairment test, the Group fully impaired all goodwill associated with both the Housing United Kingdom business segment, and the Housing North America business segment.

12. Other intangible assets

	Brands £m	Software development costs £m	Total £m
Cost			
At 1 January 2008	140.2	16.2	156.4
Additions for the year ended 2008	–	2.5	2.5
At 31 December 2009 and 2008	**140.2**	**18.7**	**158.9**
Amortisation/impairment			
At 1 January 2008	(33.9)	(2.0)	(35.9)
Charge for the year ended 2008	(2.4)	(4.3)	(6.7)
Impairment loss for the year ended 2008	(103.9)	(12.4)	(116.3)
At 31 December 2009 and 2008	**(140.2)**	**(18.7)**	**(158.9)**
Carrying amount			
31 December 2009 and 2008	**–**	**–**	**–**

The Group is required to test goodwill for impairment on an annual basis or sooner when there are indicators that it might be impaired, and to test other intangible assets for impairment if there are indications that the assets might be impaired.

The Group undertook a review in the prior year and the significant downturn in the UK housing market in early 2008 as well as the continued deterioration in the US market led to the Group performing a full impairment test on intangible assets at 30 June 2008. As a result, the Group fully impaired all remaining goodwill, brands and software development costs.

The Group has evaluated its performance in the current year and concluded that it would not be appropriate to reverse any of the previously recognised impairment charges.

13. Property, plant and equipment

	Freehold land and buildings £m	Plant and equipment £m	Total £m
Cost			
At 1 January 2008	9.3	79.4	88.7
Additions	–	10.9	10.9
Disposals	(8.1)	(34.4)	(42.5)
Changes in exchange rates	0.3	4.9	5.2
At 31 December 2008	1.5	60.8	62.3
Additions	–	2.5	2.5
Disposals	(0.4)	(35.9)	(36.3)
Changes in exchange rates	(0.1)	(1.2)	(1.3)
At 31 December 2009	**1.0**	**26.2**	**27.2**
Accumulated depreciation			
At 1 January 2008	–	(49.7)	(49.7)
Disposals	–	14.7	14.7
Charge for the year	–	(7.9)	(7.9)
Changes in exchange rates	–	(3.9)	(3.9)
At 31 December 2008	–	(46.8)	(46.8)
Disposals	–	31.6	31.6
Charge for the year	–	(4.7)	(4.7)
Changes in exchange rates	–	0.9	0.9
At 31 December 2009	–	**(19.0)**	**(19.0)**

Carrying amount	Freehold land and buildings £m	Plant and equipment £m	Total £m
At 31 December 2009	**1.0**	**7.2**	**8.2**
At 31 December 2008	1.5	14.0	15.5

14. Interests in joint ventures

	2009 £m	2008 £m
Aggregated amounts relating to share of joint ventures		
Non-current assets	**–**	–
Current assets	**63.5**	89.4
Total assets	**63.5**	89.4
Current liabilities	**(10.6)**	(20.2)
Non-current liabilities	**(27.6)**	(32.5)
Total liabilities	**(38.2)**	(52.7)
Carrying amount	**25.3**	36.7
Loans to joint ventures	**26.6**	31.0
Total interests in joint ventures	**51.9**	67.7

14. Interests in joint ventures (continued)

	2009 £m	2008 £m
Share of post-tax profits from joint ventures		
Revenue	**16.3**	24.2
Cost of sales	**(10.0)**	(14.5)
Gross profit	**6.3**	9.7
Net operating expenses	**(0.6)**	(1.7)
Profit on ordinary activities before finance costs	**5.7**	8.0
Finance costs	**–**	(0.2)
Profit on ordinary activities before tax	**5.7**	7.8
Taxation	**(0.1)**	(0.2)
Share of joint ventures' post-tax results for the year	**5.6**	7.6

The Group has three (2008: four) principal joint ventures.

Particulars of principal joint ventures are as follows:

Country of incorporation	Name of joint venture equity accounted in the consolidated accounts	Taylor Wimpey plc interest in the issued ordinary share capital
Great Britain	Strada Developments Limited*	50%
	Academy Central Limited Liability Partnership*	50%
USA	Taylor Woodrow Communities/Steiner Ranch Limited*	50%

* Interest held by subsidiary undertakings.

15. Deferred tax

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the current and prior reporting year.

	Capital allowances £m	Short term timing differences £m	Brands £m	Inventory adjustments £m	Retirement benefit obligations £m	Total £m
At 1 January 2008	4.2	10.0	(29.8)	40.1	63.4	87.9
(Charge)/credit to income	(5.5)	(3.0)	29.8	(46.1)	(39.7)	(64.5)
Charge to equity	–	–	–	–	(23.7)	(23.7)
Disposal of subsidiaries	–	(0.4)	–	–	–	(0.4)
Changes in exchange rates	–	–	–	6.0	–	6.0
At 31 December 2008	(1.3)	6.6	–	–	–	5.3
Credit/(charge) to income	0.1	(1.9)	–	–	27.1	25.3
Credit to equity	–	–	–	–	87.6	87.6
Disposal of subsidiaries	0.4	–	–	–	–	0.4
Changes in exchange rates	–	0.2	–	–	–	0.2
At 31 December 2009	**(0.8)**	**4.9**	**–**	**–**	**114.7**	**118.8**

In 2009 the Group has reinstated the deferred tax asset relating to the pension deficit, including £47.2m written off in the prior year, on the basis that the deficit is a long term liability of circa 15 years that will be satisfied from future profitability.

In the prior year the £23.7m charge to equity comprised £23.5m credited directly to equity in respect of deferred tax on actuarial losses on the defined benefit pension scheme taken to the statement of recognised income and expense and a charge of £47.2m to equity in respect of the write off of the deferred tax asset on retirement benefit obligations.

The Group also reduced its deferred tax assets in the prior year on losses, capital allowances, short term timing differences and inventory write downs to reflect the weakening market and worsening economic conditions.

The deferred tax liability on brands was eliminated in 2008 following the decision to fully impair those brands.

15. Deferred tax (continued)

The net deferred tax balance is analysed into assets and liabilities as follows:

	2009 £m	2008 £m
Deferred tax assets	**119.6**	6.6
Deferred tax liabilities	**(0.8)**	(1.3)
	118.8	5.3

At the balance sheet date, the Group has unused UK capital losses of £409.2m (2008: £409.2m), of which £271.7m (2008: £271.7m) are agreed as available for offset against future capital profits. No deferred tax asset has been recognised in respect of these losses because the Group does not believe that it is probable that these capital losses will be utilised in the foreseeable future. In addition, some of the capital losses would be further restricted as to offset dependent on the source within the Taylor Wimpey Group of any gains and previous losses.

The Group has not recognised potential deferred tax assets relating to inventory charges and tax losses carried forward amounting to £375.1m (2008: £248.3m) in the UK , £267.0m (2008: £303.6m) in the US and £21.4m (2008: £17.3m) in other jurisdictions. Local tax legislation permits losses to be carried forward 20 years in the US, 15 years in Spain and indefinitely in the UK.

16. Inventories

	2009 £m	2008 £m
Raw materials and consumables	**1.6**	1.5
Finished goods and goods for resale	**12.1**	34.4
Residential developments:		
Land*	**2,341.8**	3,410.3
Development and construction costs	**1,242.8**	1,438.8
Commercial, industrial and mixed development properties	**5.0**	5.6
	3,603.3	4,890.6

* Details of land creditors are in Note 20.

The Directors consider all inventories to be current in nature. The operational cycle is such that the majority of inventory will not be realised within 12 months. It is not possible to determine with accuracy when specific inventory will be realised, as this will be subject to a number of issues such as consumer demand and planning permission delays.

Non-refundable land option payments of £81.2m (2008: £81.3m) are recorded within 'Residential developments: Land'.

17. Other financial assets

Trade and other receivables

	Current		Non-current	
	2009 £m	2008 £m	2009 £m	2008 £m
Trade receivables	**77.3**	127.3	**48.0**	40.0
Joint ventures	**–**	–	**–**	0.2
Currency and interest rate derivatives	**–**	–	**11.1**	3.0
Other receivables	**53.2**	54.0	**5.9**	4.7
	130.5	181.3	**65.0**	47.9

The average credit period taken on sales is 13 days (2008: 13 days). An allowance has been made for estimated irrecoverable amounts from trade receivables of £7.0m (2008: £3.7m). This allowance has been determined by reference to past default experience.

Cash and cash equivalents

	2009 £m	2008 £m
Cash and cash equivalents (see Note 21)	**132.1**	752.3

Cash and cash equivalents comprise cash held by the Group and short term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value in both years.

18. Bank loans and overdrafts

	2009 £m	2008 £m
Bank overdrafts repayable on demand	**12.7**	22.6
Bank loans	**148.4**	1,289.9
	161.1	1,312.5
Amount due for settlement within one year	**12.7**	23.4
Amount due for settlement after one year	**148.4**	1,289.1
Total bank borrowings	**161.1**	1,312.5

	Bank overdraft £m	Bank loans £m
Analysis of borrowings by currency:		
31 December 2009		
Sterling	**–**	**41.2**
Canadian dollars	**12.7**	**–**
Euros	**–**	**107.2**
Ghanaian cedis	**–**	**–**
US dollars	**–**	**–**
	12.7	**148.4**
31 December 2008		
Sterling	0.1	1,030.0
Canadian dollars	18.4	–
Euros	–	106.3
Ghanaian cedis	4.1	–
US dollars	–	153.6
	22.6	1,289.9

Bank borrowings and overdrafts are arranged at floating rates of interest, from 3% to 4% (2008: 3.82% to 19.75%).

Secured bank loans and overdrafts outstanding totalled £12.7m (2008: £23.4m). Secured bank loans and overdrafts are secured on certain fixed asset properties and land.

19. Debenture loans

	2009 £m	2008 £m
Unsecured		
9.00% US$35m notes 2009	**15.2**	24.7
5.73% US$110m notes 2009	**47.5**	76.4
5.53% US$75m notes 2011	**38.0**	52.1
6.625% £250m guaranteed bonds 2012 (1)	**207.6**	254.5
6.21% US$70m notes 2012	**31.7**	48.8
6.80% £30m notes 2012	**22.0**	30.0
4.72% US$28m notes 2013	**12.5**	18.6
6.31% US$110m notes 2014	**50.5**	76.5
6.03% US$175m notes 2014	**90.0**	121.5
4.98% US$38m notes 2015	**16.9**	25.2
6.72% US$30m notes 2017	**14.0**	21.1
5.29% US$30m notes 2018	**13.4**	19.7
6.375% £200m bonds 2019	**162.6**	200.0
Carrying value	**721.9**	969.1
Fair value	**681.9**	308.8

(1) The guarantee in respect of the 6.625% £250m guaranteed bond 2012 was released on 16 January 2004.

The descriptions presented above refer to the titles of the debenture loan issues at their original issue date.

The fair value for all debenture loans has been derived from inputs that are observable for the liability either directly or indirectly, relevant for the term and currency.

As a result of negotiations concluding in April 2009 the terms of the above debentures were changed such that they were either extended to mature on 3 July 2012 or capable of being repaid early on the same date. The coupons have also been modified to be a variable rate based on gearing tested at each quarter end. Interest rates can vary from the lowest at 7.6% to the highest at 11.2% and in accordance with the new terms a partial prepayment was made following the equity raise. Prepayment penalties have been deferred and are included in the above table.

	2009 £m	2008 £m
Repayable		
Within one year or on demand	**–**	101.1
Total falling due in more than one year	**721.9**	868.0
	721.9	969.1

Interest rates and currencies of debenture loans:

	Fixed rate £m	Weighted average interest rate %	Weighted average time until maturity years
31 December 2009			
Sterling(2)	**392.2**	**8.6**	**2.5**
US dollars	**329.7**	**8.1**	**2.5**
	721.9	**8.3**	**2.5**
31 December 2008			
Sterling(2)	484.5	6.53	6.2
US dollars	484.6	6.04	4.4
	969.1	6.29	5.5

(2) Interest on £100m (2008: £100m) of the 6.625% £250m guaranteed bond 2012 has been swapped from the underlying 6.625% to floating rate based on US dollar LIBOR applicable to periods of three months. The above table does not reflect the impact of these swaps.

20. Trade and other payables

	Current		Non-current	
	2009 £m	2008 £m	**2009 £m**	2008 £m
Trade payables	**249.7**	562.9	**203.7**	293.8
Joint ventures	**1.3**	–	**–**	–
Currency and interest rate derivatives	**12.9**	14.4	**–**	–
Other payables	**496.1**	593.4	**74.9**	48.3
	760.0	1,170.7	**278.6**	342.1

Trade payable days were 20 days (2008: 26 days), based on the ratio of year end trade payables (excluding sub-contract retentions and unagreed claims of £35.3m (2008: £28.8m) and land creditors) to amounts invoiced during the year by trade creditors.

Other payables include customer deposits for reserving plots of £91.5m (2008: £80.1m).

Land creditors (included within trade payables) are due as follows:	**2009 £m**	2008 £m
Due within one year	**124.3**	355.2
Due in more than one year	**201.4**	290.1
	325.7	645.3

Land creditors are denominated as follows:	**2009 £m**	2008 £m
Sterling	**275.6**	552.5
US dollars	**1.0**	33.1
Canadian dollars	**38.6**	35.9
Euros	**10.5**	23.8
	325.7	645.3

Land creditors of £195.0m (2008: £492.0m) are secured against land acquired for development, or supported by bond or guarantee.

21. Financial instruments

Refinancing

On 7 April 2009 the Group successfully reached agreement with its banks and private placement holders regarding a revised covenant and financing package (the Override Agreement). The Group also reached similar agreement with the holders of its two public Eurobond issues on 30 April 2009. The principal terms of the refinancing consisted of an alignment of all debt maturity dates to 3 July 2012, an increase in margin or coupon, an additional interest charge in the form of payment in kind (PIK) and warrants giving all lenders at the time the right to subscribe in cash for a combined total of approximately 5% of the Company's ordinary share capital at a fixed price and a revised operating and financial covenant package. Following the equity raise in June 2009 the Group was able to reduce its borrowings to below a level such that PIK stopped accruing, the additional interest reduced and restrictive operating covenants relaxed.

Capital management

The Group's objective is to obtain a strong credit rating for the business and to have an appropriate funding structure based on a minimum interest cover and maximum gearing. In the current circumstances maintaining interest cover is not applicable as cash generation has been the Group's primary focus, however complying with policy remains an objective of the Group when market conditions allow. Shareholder's equity and long term debt are used to finance fixed assets and medium to long term land bank. Revolving credit facilities are used to fund net current assets including work in progress and short term land.

21. Financial instruments (continued)

Financial assets and financial liabilities

Categories of financial assets and financial liabilities are as follows:

Financial assets	Note	2009 Carrying value £m	2008 Carrying value £m
Cash and cash equivalents	(b)	132.1	752.3
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	11.1	0.4
Held for trading	(a)	–	2.7
Loans and receivables:			
Land receivables	(b)	21.0	55.6
Trade and other receivables	(b)	121.6	95.4
Mortgage receivables	(b)	41.7	31.7
		327.5	938.1

Land receivables and trade and other receivables are included in the balance sheet as trade and other receivables for current and non-current amounts.

Current and non-current trade and other receivables, as disclosed, in Note 17 include £41.8m (2008: £43.4m) of non-financial assets.

Financial liabilities	Note	2009 Carrying value £m	2008 Carrying value £m
Derivative financial instruments:			
Designated as effective hedging instruments	(a)	–	1.8
Held for trading	(a)	12.9	12.6
Amortised cost:			
Bank loans and overdrafts		161.1	1,312.5
Land creditors	(b)	325.7	645.3
Trade and other payables	(b)	577.8	701.1
Debentures	(c)	721.9	969.1
		1,799.4	3,642.4

Land creditors and trade and other payables are included in the balance sheet as trade and other payables for current and non-current amounts.

Current and non-current trade and other payables, as disclosed in Note 20, include £122.2m (2008: £152.6m) of non-financial liabilities.

(a) Derivative financial instruments are carried at fair value. The fair values are derived from inputs that are observable for the asset or liability either directly or indirectly and relevant for the term, currency and instrument and are therefore Level 2 as described in the IFRS 7 update effective 1 January 2009.

(b) The Directors consider that the carrying amount of other financial assets and liabilities recorded in the financial statements approximates their fair values.

(c) Details of fair values of debenture loans are provided in Note 19.

21. Financial instruments (continued)

The Group has the following types of derivatives:

	2009 Notional amount	2009 Weighted average fixed	2008 Notional amount	2008 Weighted average fixed
Designated as held for trading:				
Floating £ to fixed £ interest	**£185.0m**	**5.28%**	£185.0m	5.28%
Fixed US$ to floating US$ interest	**–**	**–**	US$145.0m	5.16%
Designated as hedging instruments:				
US$160.5m floating US$ to fixed £ interest	**£100.0m**	**6.63%**	£100.0m	6.63%

In addition, forward contracts have been entered into to hedge transaction risks on intra-Group loans to buy against Sterling: US$37m, €2.5m and C$54.5m (2008: US$nil, €2.5m and C$nil). The fair values of the forward contracts are not material as they were entered into on or near 31 December 2009 and mature not more than one month later.

Loss before tax has been arrived at after charging/(crediting) the following gains and losses:	2009 £m	2008 £m
Change in fair value of financial liabilities designated as effective hedged items	**(0.5)**	6.9
Change in fair value of derivatives designated as effective hedging instruments	**0.5**	(6.9)
Change in fair value of derivatives classified as held for trading	**(2.1)**	(10.8)
	(2.1)	(10.8)

Market risk

The Group's activities expose it to the financial risks of changes in both foreign currency exchange rates and interest rates. The Group aims to manage the exposure to these risks by the use of fixed or floating rate borrowings, foreign currency borrowings and derivative financial instruments.

(a) Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at both fixed and floating interest rates. The exposure to these borrowings varies during the year due to the seasonal nature of cash flows relating to housing sales and the less certain timing of land payments. A combination of fixed rate borrowings and interest rate swaps are used to manage the volatility risk such that at the year end, taking all interest rate derivatives into account, fixed rate borrowings are not more than 70% of total borrowings but not less than 50%. Group policy does not allow the use of derivatives to speculate against changes to future interest rates and they are only used to manage exposure to volatility.

In order to measure the risk, floating rate borrowings and the expected interest cost for the year are forecast on a monthly basis and compared to budget using management's expectations of a reasonably possible change in interest rates. Interest expense volatility remained within acceptable limits throughout the year although our fixed rate exposure is currently in excess of policy. At the year end the Group had £802.0m (2008: £827.1m) of fixed rate exposure equivalent to 107% (2008: 62%) of net debt. The Group are currently not permitted to enter into new derivatives or cancel existing derivatives, if resulting in cash outflow, due to the terms of its renegotiated debt facilities.

Hedge accounting
Hedging activities are evaluated periodically to ensure that they are in line with policy.

The cross currency, fixed to floating interest rate swaps have been bifurcated for hedging purposes and designated as fair value hedges such that the Group receives interest at a fixed rate of 6.625% based on a nominal value of £100.0m matching the underlying borrowing and pay US dollar floating rates on a nominal value of US$160.5m. During the period, the hedge was 100% effective (2008: 100%) in hedging the fair value exposure to interest rate movements and as a result the carrying amount of the loan was increased by £4.9m (2008: reduced by £6.9m) which was included in the income statement offsetting the fair value movement of the bifurcated interest rate swap.

A number of derivatives are held which, while providing an economic hedge to the volatility of interest rates, do not satisfy the strict requirements for hedge accounting and are therefore designated as held for trading.

21. Financial instruments (continued)

Interest rate sensitivity

The effect on both income and equity, based on exposure to non-derivative floating rate instruments at the balance sheet date, for a 1% (2008: 1%) rise in interest rates is £(0.3m) (2008: £(5.6m)), before tax, a 1% (2008: 1%) fall in interest rates gives the same but opposite effect. For derivatives the fair values have been calculated based on rates available from a recognised financial information provider adjusted for the sensitivity as shown in the tables below.

Due to seasonal fluctuations the level of net borrowings at the financial year end are not representative of net borrowings during the year and therefore interest rate sensitivity before tax for a reasonably possible 1% (2008: 1%) rise in floating rate instruments as shown below is based on a monthly average for the year. The table assumes all other variables remain constant and in accordance with IFRS 7 does not attempt, for example, to include the effects of any resultant change in exchange rates.

1% increase in interest rates	Sensitivity income 2009 £m	Sensitivity equity 2009 £m	Sensitivity income 2008 £m	Sensitivity equity 2008 £m
Derivatives	3.2	3.4	4.4	4.7
Non-derivatives (based on average for the year)	(4.2)	(4.2)	(9.5)	(9.5)
	(1.0)	(0.8)	(5.1)	(4.8)

1% decrease in interest rates	Sensitivity income 2009 £m	Sensitivity equity 2009 £m	Sensitivity income 2008 £m	Sensitivity equity 2008 £m
Derivatives	(3.3)	(3.5)	(4.6)	(4.8)
Non-derivatives (based on average for the year)	4.2	4.2	9.5	9.5
	0.9	0.7	4.9	4.7

(b) Foreign currency risk management

The Group's overseas activities expose it to the financial risks of changes in foreign currency exchange rates primarily to US dollars, Canadian dollars and the Euro.

The Group is not materially exposed to transaction risks as nearly all Group companies conduct their business in their respective functional currencies. Group policy requires that transaction risks are hedged to the functional currency of the subsidiary using foreign currency borrowings or derivatives where appropriate.

The Group is also exposed to the translation risk of accounting for both the income and the net investment held in functional currencies other than Sterling. The net investment risk is partially hedged using foreign currency borrowings and derivatives. Assets and liabilities denominated in non-functional currencies are retranslated each month using the latest exchange rates and resultant exchange gains or losses monitored each month. Income is also measured monthly using the latest exchange rates and compared to a budget held at historical exchange rates. Other than the natural hedge provided by foreign currency borrowings the translation risk of income is not hedged using derivatives. The policy is kept under periodic review.

The Group's exposure to, and the way in which it manages, exchange rate risk has not changed from the previous year.

Hedge accounting

The Group designates the bifurcated cross currency swaps such that the nominal amount of US$160.5m (2008: US$160.5m) is used to hedge part of the Group's net investment in US dollar denominated assets and liabilities.

The Group has also designated the carrying value of US$287.5m and €75.0m (2008: US$527.5m and €75.0m) borrowings as a net investment hedge of part of the Group's investment in US dollar and Euro denominated assets respectively.

Due to net realisable value provisions and derecognition of deferred tax assets in North America the designated hedging instruments exceeded the carrying value of hedged investments for part of the year and in accordance with policy any exchange gains or losses on the excess hedge have been recognised in the income statement. The change in the carrying amount of the derivatives which were effective hedging instruments and the change in the carrying value of the borrowings offset the exchange movement on the Group's US dollar and € net investments and are included in the translation reserve.

21. Financial instruments (continued)

Foreign currency sensitivity

The Group is primarily exposed to US dollars, Canadian dollars and the Euro. The following table details how the Group's income and equity would increase/(decrease) on a before tax basis, to a 20% increase (2008: 20%) in the respective currencies against Sterling and in accordance with IFRS 7, all other variables remaining constant. A 20% (2008: 20%) decrease in the value of Sterling would have an equal but opposite effect.

The 20% (2008: 20%) change represents a reasonably possible change in the specified foreign exchange rates in relation to Sterling.

	Income sensitivity 2009 £m	**Equity sensitivity 2009 £m**	Income sensitivity 2008 £m	Equity sensitivity 2008 £m
US dollar	**(5.4)**	**29.6**	(4.4)	10.6
Canadian dollar	**(1.2)**	**(37.7)**	(0.4)	(35.2)
Euro	**(0.8)**	**(14.1)**	0.4	(14.1)
	(7.4)	**(22.2)**	(4.4)	(38.7)

Credit risk

Credit risk is the risk of financial loss where counterparties are not able to meet their obligations.

The Group's policy is that surplus cash when not used to repay borrowings is placed on deposit with the Group's revolving credit facility syndicate banks and with other banks based on a minimum credit rating. Credit risk on derivatives where the fair value is positive is closely monitored and remains within acceptable limits.

Land receivables arise from sales of surplus land on deferred terms. A policy is in place such that if the risk is not acceptable then the deferred payment must have adequate security either by the use of an appropriate guarantee or a charge over the land. The fair value of any land held as security is considered by management to be sufficient in relation to the carrying amount of the receivable to which it relates.

Trade and other receivables comprise mainly amounts receivable from various housing associations and other housebuilders. Management consider that the credit quality of the various debtors is good in respect of the amounts outstanding and therefore credit risk is considered to be low. There is no significant concentration of risk. A small allowance for credit losses against sundry debtors is held, however, the balance is not material in relation to the gross carrying value of this particular class of financial asset.

The Group's exposure to credit risk has reduced compared to the prior year due to the current policy of minimising cash balances in order to reduce carry costs. In 2008 the Group maintained a higher level of liquidity due to the concerns affecting the banking sector.

The carrying amount of financial assets, as detailed above, represents the Group's maximum exposure to credit risk at the reporting date assuming that any security held has no value.

Liquidity risk

Liquidity risk is the risk that the Group does not have sufficient financial resources available to meet its obligations as they fall due. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows, matching the expected cash flow timings of financial assets and liabilities and ideally through the use of term borrowings, overdrafts and committed revolving credit facilities for a minimum of 12 months from maturity. Future borrowing requirements are forecast on a weekly and monthly basis and funding headroom is maintained above forecast peak requirements to meet unforeseen events. Following the debt refinancing all bank loans, debentures and revolving credit facilities are capable of being repayable or mature on 3 July 2012. It is the objective of the Group to return to a more appropriate maturity profile when conditions allow.

In addition to term borrowings and committed overdraft facilities the Group has access to committed revolving credit facilities and cash balances. At the balance sheet date, the total unused committed amount was £1,078.3m (2008: £410.9m) and cash and cash equivalents of £132.1m (2008: £752.3m).

21. Financial instruments (continued)

The maturity profile of the anticipated future cash flows including interest using the latest applicable relevant rate based on the earliest date on which the Group can be required to pay financial liabilities on an undiscounted basis is as follows:

Financial liabilities	Bank loans and overdraft £m	Land creditors £m	Other trade payables £m	Debenture loans £m	Total £m
On demand	**12.7**	**–**	**–**	**–**	**12.7**
Within one year	**4.4**	**132.5**	**414.8**	**59.8**	**611.5**
More than one year and less than two years	**4.4**	**90.9**	**18.1**	**59.8**	**173.2**
More than two years and less than five years	**150.6**	**95.4**	**21.4**	**747.3**	**1,014.7**
In more than five years	**–**	**29.8**	**–**	**–**	**29.8**
31 December 2009	**172.1**	**348.6**	**454.3**	**866.9**	**1,841.9**

Financial liabilities	Bank loans and overdraft £m	Land creditors £m	Other trade payables £m	Debenture loans £m	Total £m
On demand	22.8	–	–	–	22.8
Within one year	60.3	410.1	634.1	160.3	1,264.8
More than one year and less than two years	59.6	83.3	40.1	54.1	237.1
More than two years and less than five years	1,379.4	118.0	13.5	463.0	1,973.9
In more than five years	–	38.4	13.4	554.9	606.7
31 December 2008	1,522.1	649.8	701.1	1,232.3	4,105.3

The following table represents the undiscounted cash flow profile of the Group's derivative financial instruments and has been calculated using implied interest rates and exchange rates derived from the respective yield curves. Interest rate swaps are settled net and foreign currency swaps and forward contracts are settled gross except in the case of a default by either party where the amounts may be settled net.

Derivatives	Net-settled derivatives net amount £m	Gross-settled derivatives receivable £m	Gross-settled derivatives payable £m	Total £m
Within one year	**(7.7)**	**6.6**	**(2.6)**	**(3.7)**
More than one year and less than two years	**(4.7)**	**6.6**	**(4.1)**	**(2.2)**
More than two years and less than five years	**(0.7)**	**113.3**	**(107.5)**	**5.1**
31 December 2009	**(13.1)**	**126.5**	**(114.2)**	**(0.8)**

Derivatives	Net-settled derivatives net amount £m	Gross-settled derivatives receivable £m	Gross-settled derivatives payable £m	Total £m
Within one year	(1.6)	9.0	(7.3)	0.1
More than one year and less than two years	(4.8)	6.6	(5.4)	(3.6)
More than two years and less than five years	(3.4)	113.3	(112.3)	(2.4)
In more than five years	(0.8)	–	–	(0.8)
31 December 2008	(10.6)	128.9	(125.0)	(6.7)

22. Retirement benefit schemes

Retirement benefit obligation comprises gross pension liability of £406.4m (2008: £277.2m) and gross post-retirement healthcare liability of £2.9m (2008: £2.6m).

The Group operates defined benefit and defined contribution pension schemes. In the UK, the Taylor Woodrow Group Pension and Life Assurance Fund (TWGP&LAF) and the George Wimpey Staff Pension Scheme (GWSPS) are funded defined benefit schemes. The Taylor Woodrow NHS Pension Scheme (TWNHSPS), which was also a defined benefit scheme, was disposed of as part of the disposal of the Construction business on 9 September 2008. The TWGP&LAF merged with the Bryant Group Pension Scheme (BGPS) on 24 June 2002 and with the Wilson Connolly Holdings Pension Scheme (WCHPS), the Wainhomes Ltd Pension Scheme (WHLPS) and the Prestoplan Pension Scheme (PPS) on 27 August 2004. These schemes are managed by boards of trustees. The Group's defined benefit schemes are closed to new entrants. The TWGP&LAF was closed to future pension accrual with effect from 30 November 2006. An alternative Defined Contribution arrangement, the Taylor Wimpey Personal Choice Plan, is offered to new employees and from 1 December 2006 to employees who previously accrued benefits in the TWGP&LAF. Legacy George Wimpey staff are members of a UK Stakeholder arrangement. The Group also operates a number of small overseas pension schemes including defined benefit schemes in the US and Canada. Of the defined benefit pension scheme net deficit of £406.4m (2008: £277.2m) at 31 December 2009, £401.4m (2008: £268.3m) related to the TWGP&LAF and GWSPS schemes in the UK and £5.0m (2008: £8.9m) related to defined benefit schemes in the US and Canada.

The pension scheme assets of the Group's principal defined benefit pension schemes, TWGP&LAF and GWSPS are held in a separate trustee-administered fund to meet long term pension liabilities to past and present employees. The trustees of the schemes are required to act in the best interests of the schemes' beneficiaries. The appointment of trustees is determined by each scheme's trust documentation. The Group has a policy that at least one-third of all trustees should be nominated by members of the scheme.

The most recent formal actuarial valuation of the TWGP&LAF was carried out at 1 June 2007. The most recent formal actuarial valuation of the GWSPS was carried out at 31 March 2007. The projected unit method was used in all valuations and assets were taken into account using market values.

The next formal valuations of the TWGP&LAF and GWSPS are taking place as at 31 March 2010. The statutory funding objective is that each scheme has sufficient and appropriate assets to pay its benefits as they fall due. The general principles adopted by the trustees will be that the assumptions used, taken as a whole, will be sufficiently prudent for pensions and benefits already in payment to continue to be paid, and to reflect the commitments which will arise from members' accrued pension rights.

Contributions of £10.6m (2008: £8.9m) were charged to income in respect of defined contribution schemes.

In 2008 the Group agreed revised funding schedules with the Trustees of both schemes under which the Group will make annual funding contributions of £20m over eight years in respect of the TWGP&LAF and £25m over 10 years in respect of the GWSPS. Following the last valuation of the GWSPS, the ordinary contribution rate was set at 18% of pensionable salaries.

The main financial assumptions, which were used for the triennial funding valuation and are all relative to the inflation assumption, are as set out below:

Assumptions	TWGP&LAF	GWSPS
RPI inflation	**3.15%**	**3.15%**
Discount rate – pre/post-retirement	**5.60%**	**6.75%-4.75%**
General pay inflation	**–**	**5.15%**
Real pension increases	**0.00%**	**0.00%**

Valuation results	TWGP&LAF	GWSPS
Market value of assets	**£764m**	**£668m**
Past service liabilities	**£926m**	**£883m**
Scheme funding levels	**82%**	**76%**

The valuations of the Group's pension schemes have been updated to 31 December 2009 and the position of overseas schemes has been included within the IAS 19 disclosures. The principal actuarial assumptions used in the calculation of the disclosure items are as follows:

	United Kingdom		North America	
	2009	2008	**2009**	2008
As at 31 December				
Discount rate for scheme liabilities	**5.70%**	6.30%	**5.94%-6.00%**	5.80-7.00%
Expected return on scheme assets	**5.90%-6.20%**	5.80-6.45%	**6.50%-8.00%**	5.50-8.00%
General pay inflation	**4.30%**	4.30%	**3.00%-3.50%**	3.00%
Deferred pension increases	**3.30%**	2.80%	**0.00%**	0.00%
Pension increases	**2.30%-3.20%**	2.15-3.35%	**0.00%-3.00%**	0.00-3.00%

The basis for the above assumptions are prescribed by IAS 19 and do not reflect the assumptions that may be used in future funding valuations of the Group's pension schemes.

22. Retirement benefit schemes (continued)

The current life expectancies (in years) underlying the value of the accrued liabilities for the main UK plans are:

	2009		2008	
Life expectancy at age 65	Male	Female	Male	Female
Member currently age 65	86	89	86	89
Member currently age 45	87	90	87	90

The fair value of assets and present value of obligations of the Group's defined benefit pension schemes are set out below:

	Expected rate of return % p.a	United Kingdom £m	North America £m	Total plans £m	Percentage of total plan assets held
31 December 2009					
Assets:					
Equities	7.90%	527.9	9.8	537.7	38%
Bonds	5.70%	294.0	5.4	299.4	21%
Gilts	4.40%	444.8	–	444.8	32%
Other assets	3.30%-7.90%	129.7	0.7	130.4	9%
		1,396.4	15.9	1,412.3	100%
Present value of defined benefit obligations		(1,797.8)	(20.9)	(1,818.7)	
Deficit in schemes recognised as non-current liability		(401.4)	(5.0)	(406.4)	
31 December 2008					
Assets:					
Equities	6.90%	422.2	9.3	431.5	34%
Bonds	6.50%	324.2	5.8	330.0	26%
Gilts	3.40%	474.8	–	474.8	37%
Other assets	2.00%	44.2	–	44.2	3%
		1,265.4	15.1	1,280.5	100%
Present value of defined benefit obligations		(1,533.7)	(24.0)	(1,557.7)	
Deficit in schemes recognised as non-current liability		(268.3)	(8.9)	(277.2)	

To develop the expected long term rate of return on assets assumption, the Group considered the current level of expected returns on investments (particularly government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class were then weighted based on the asset allocation to develop the expected long term rate of return on assets assumption for the portfolio.

The expected return on scheme assets is based on market expectations at the beginning of the financial period for returns over the life of the related obligation. The expected yield on bond investments with fixed interest rates can be derived exactly from their market value. Some of these bond investments are issued by the UK Government. The risk of default on these is very small. The trustees also hold bonds issued by public companies. There is a more significant risk of default on these which is assessed by various rating agencies.

The trustees also have a substantial holding of equity investments. The investment return related to these is variable, and they are generally considered 'riskier' investments.

It is generally accepted that the yield on equity investments will contain a premium, 'the equity risk premium', to compensate investors for the additional risk of holding this type of investment. There is significant uncertainty about the likely size of this risk premium.

A summary of the target asset allocations of the major defined benefit schemes are shown below:

	TWGP&LAF	GWSPS
UK Equities	17%	18%
Non-UK Equities	30%	12%
Index-Linked Gilts	15%	25%
Fixed-Interest Gilts	10%	16%
Other UK bonds	25%	24%
GTAA	–	5%
Property	3%	–

22. Retirement benefit schemes (continued)

	2009 £m	2008 £m
Amount charged against income:		
Current service cost	**(4.1)**	(5.5)
Curtailment loss	**–**	(0.9)
Settlement loss	**–**	–
Operating cost	**(4.1)**	(6.4)
Expected return on scheme assets	**61.2**	82.0
Interest cost on scheme liabilities	**(95.5)**	(93.7)
Finance charges	**(34.3)**	(11.7)
Total charge	**(38.4)**	(18.1)

The actual return on scheme assets was a gain of £41.5m (2008: loss of £128.4m).

	2009 £m	2008 £m
Actuarial (losses)/gains in the statement of recognised income and expenses:		
Difference between actual and expected return on scheme assets	**102.7**	(210.4)
Experience gains/(losses) arising on scheme liabilities	**29.1**	(22.1)
Changes in assumptions	**(273.6)**	142.3
Total loss recognised in the statement of recognised income and expense	**(141.8)**	(90.2)

The cumulative amount of actuarial losses recognised in the statement of comprehensive income is £215.6m loss (2008: £73.8m loss).

	2009 £m	2008 £m
Movement in present value of defined benefit obligations		
1 January	**1,557.7**	1,650.6
Changes in exchange rates	**(1.6)**	5.6
Service cost	**4.1**	5.5
Curtailment gain	**–**	0.9
Benefits paid and expenses	**(83.1)**	(80.4)
Contributions – employee	**1.6**	2.0
Interest cost	**95.5**	93.7
Actuarial gains/(losses)	**244.5**	(120.2)
31 December	**1,818.7**	1,557.7

	2009 £m	2008 £m
Movement in fair value of scheme assets		
1 January	**1,280.5**	1,434.2
Changes in exchange rates	**(0.7)**	3.0
Expected return on scheme assets and expenses	**61.2**	82.0
Contributions – employer and employee	**51.7**	52.5
Benefits paid	**(83.1)**	(80.8)
Actuarial gains/(losses)	**102.7**	(210.4)
31 December	**1,412.3**	1,280.5

22. Retirement benefit schemes (continued)

	2009 £m	2008 £m	2007 £m	2006 £m	2005 £m
History of experience gains and losses:					
Fair value of scheme assets	**1,412.3**	1,280.5	1,434.2	749.7	706.1
Present value of defined benefit obligations	**(1,818.7)**	(1,557.7)	(1,650.6)	(955.6)	(925.9)
Deficit in the scheme	**(406.4)**	(277.2)	(216.4)	(205.9)	(219.8)
Difference between actual and expected return on scheme assets:					
Amount	**102.7**	(210.4)	(12.7)	24.2	61.4
Percentage of scheme assets	**7.3%**	16.4%	1.0%	3.0%	9.0%
Experience adjustments on scheme liabilities:					
Amount	**29.1**	(22.1)	26.7	0.2	(32.6)
Percentage of scheme liabilities	**1.6%**	1.4%	2.0%	0.0%	4.0%

The estimated amounts of contributions expected to be paid to the TWGP&LAF during 2010 are £20.0m, to the GWSPS are £28.7m.

The Group liability is the difference between the scheme liabilities and the scheme assets. Changes in the assumptions may occur at the same time as changes in the market value of scheme assets. These may or may not offset the change in assumptions. For example, a fall in interest rates will increase the scheme liability, but may also trigger an offsetting increase in the market value so there is no net effect on the Company liability.

Assumption	Change in assumption	Impact on scheme liabilities
Discount rate	Increase by 0.1% p.a.	Decrease by £27.8m
Rate of inflation	Increase by 0.1% p.a.	Increase by £17.7m
Rate of pay inflation	Increase by 0.1% p.a.	Increase by £1.1m
Rate of mortality	Members assumed to live 1 year longer	Increase by £51.7m

The projected liabilities of the defined benefit scheme are apportioned between members' past and future service using the projected unit actuarial cost method. The defined benefit obligation makes allowance for future earnings growth. If all active members were assumed to leave the Company and the allowance for future earnings growth was replaced by an allowance for statutory revaluation, the liabilities would reduce by £11.0m (2008: £15.0m).

The gross post-retirement liability also includes £2.9m at 31 December 2009 (2008: £2.6m) in respect of continuing post-retirement healthcare insurance premiums for retired long-service employees. The liability is based upon the actuarial assessment of the remaining cost by a qualified actuary on a net present value basis at 31 December 2008.

The cost is calculated assuming a discount rate of 3.6% per annum (2008: 5.0%) and an increase in medical expenses of 10.0% per annum (2008: 10.0%). The premium cost to the Group in respect of the retired long-service employees for 2009 was £0.2m (2008: £0.2m).

23. Provisions

	Housing maintenance £m	Restructuring £m	Other £m	Total £m
At 1 January 2008	38.5	33.6	14.5	86.6
Additional provision in the year	5.9	35.1	36.0	77.0
Utilisation of provision	(15.0)	(42.2)	(3.4)	(60.6)
Released	(0.7)	(5.2)	(3.2)	(9.1)
Changes in exchange rates	10.3	0.8	2.1	13.2
At 31 December 2008	39.0	22.1	46.0	107.1
Additional provision in the year	6.2	4.2	12.9	23.3
Utilisation of provision	(7.8)	(9.4)	(8.0)	(25.2)
Released	(0.8)	(0.2)	(0.2)	(1.2)
Transfers and Reclassification	(24.5)	(0.2)	24.7	–
Changes in exchange rates	(3.0)	(0.6)	(1.6)	(5.2)
At 31 December 2009	**9.1**	**15.9**	**73.8**	**98.8**

	£m
Amount due for settlement within one year	**47.8**
Amount due for settlement after one year	**51.0**
31 December 2009	**98.8**

23. Provisions (continued)

The housing maintenance provision arises principally from warranties and other liabilities on housing sold. Whilst such warranties extend to a period of 10 years, payment of these costs is likely to occur within a period of two years. The Group restructuring provision relates to the continued reorganisation of the UK and US businesses following the merger with George Wimpey Plc in 2007. It is anticipated that the majority of this provision, which comprises redundancy costs and empty property costs will be utilised within six years.

Other provisions consist of a remedial work provision, provisions for legal claims and other contract-related costs. The remedial work provision covers various obligations, including aftercare at Springfield Environmental Limited which has a legal responsibility of a long term nature for the management of old, completed sites and provisions for losses on construction contracts. Also included in other provisions are amounts for legal claims and contract-related costs associated with various matters arising across the Group, the majority of which are anticipated to be settled within a three-year period.

24. Share capital

	2009 £m	2008 £m
Authorised:		
22,200,819,176 ordinary shares of 1p each (2008: 2,000,000,000 of 25p each)	**222.0**	500.0
1,158,299,201 deferred ordinary shares of 24p each (2008: nil)	**278.0**	–
	500.0	500.0

	Number of shares	£m
Issued and fully paid:		
1 January 2008	1,158,294,708	289.6
US Employee Stock Purchase Plan	4,493	–
31 December 2008	1,158,299,201	289.6
Treasury Share cancellation	(92,732,927)	(23.2)
Share warrants	166,786	–
Placing and open offer	2,131,132,548	21.3
31 December 2009	**3,196,865,608**	**287.7**

The Company issued 2,131.1m new ordinary shares on 1 June 2009, as part of an placing and open offer. Prior to the placing and open offer issue the 25p ordinary shares of the Company were split into 1,158.3m ordinary shares of 1p and 1,158.3m deferred shares of 24p each. The unissued 25p share capital was split into 1p shares. The new share issue was executed such that the amounts received above nominal share capital, net of issue costs, were recorded as part of the merger relief reserve and then subsequently transferred to distributable reserves.

During the year, options were exercised on 139,062 (2008: 249,796) ordinary shares of which nil (2008: 4,493) were new issues with the balance coming from Treasury/ESOT at varying prices from nil pence to 25.5p and shares were issued for a total consideration of nil (2008: nil). Additionally nil (2008: 844) ordinary shares were awarded to employees for 25 or 40 years' long service. Under the Group's senior executives' share option scheme and executive share option plan, employees held options at 31 December 2009 to purchase 32,840,430 shares (2008: 15,467,631) at prices between 11.0p and 181.0p per share exercisable up to 7 August 2019. Under the Group's savings-related share option schemes, employees held options at 31 December 2009 to purchase 33,719,220 shares (2008: 24,921,300) at prices between 25.5p and 189.2p per share exercisable up to 31 May 2015. Under the Group's cash bonus deferral plan and executive bonus plan, employees held options at 31 December 2009 in respect of 96,927 shares (2008: 228,126) at nil pence per share exercisable up to 1 January 2010. Under the Group's performance share plan employees held conditional awards at 31 December 2009 in respect of 15,744,982 shares (2008: 7,832,194) at nil pence per share exercisable up to 1 January 2013. Under the Group's share purchase plan employees held conditional awards at 31 December 2009 in respect of 6,521,631 shares (2008: 3,252,206) at nil pence per share. The former George Wimpey plans were acquired as part of the merger in 2007. Under the George Wimpey Sharesave Scheme, employees held options at 31 December 2009 to purchase 512,708 shares (2008: 1,257,529) at prices between 148.3p and 188.0p per share exercisable up to 31 May 2012. Under the George Wimpey Executive Option Scheme, employees held awards at 31 December 2009 in respect of 2,163,415 shares (2008: 2,908,267) at prices between 144.3p and 322.3p per share exercisable up to 2 April 2017. Under the George Wimpey Long Term Incentive Plan, employees held awards at 31 December 2009 in respect of 955,036 shares (2008: 1,507,710) at nil pence per share exercisable up to 2 April 2010.

Under the Override Agreement (see Note 21), the Company agreed to issue 57.8m warrants giving the holders the right to subscribe to an equivalent number of ordinary shares in Taylor Wimpey plc at par value. The warrants may be exercised at par by the holder within five years of the date of issue and as at 31 December 2009 166,786 warrants had been exercised.

25. Share premium account

	£m
Balance at 1 January 2008	758.1
Amortisation of debt transferred from retained earnings	(4.5)
Balance at 31 December 2008	753.6
Share warrants	–
Balance at 31 December 2009	**753.6**

26. Reserves

	Retained earnings £m	Merger relief reserve £m	Capital redemption reserve	Translation reserve £m	Share-based payment tax reserve £m	Other £m	Total other reserves £m
Balance at 1 January 2008	957.1	1,934.2	31.5	3.7	5.6	5.3	46.1
Dividends paid	(107.9)	–	–	–	–	–	–
Transfers to share premium account	4.5	–	–	–	–	–	–
Share-based payment credit	6.0	–	–	–	–	–	–
Cash cost of satisfying share options	(0.9)	–	–	–	–	–	–
Actuarial loss net of deferred tax	(66.7)	–	–	–	–	–	–
Deferred tax write off	(47.2)	–	–	–	–	–	–
Transfer to retained earnings	1,934.7	(1,934.2)	–	–	–	(0.5)	(0.5)
Exchange differences on translation of overseas operations, net of tax	–	–	–	50.3	–	–	50.3
Decrease in fair value of hedging derivatives	–	–	–	(31.2)	–	–	(31.2)
Net loss for the year	(1,841.3)	–	–	–	–	–	–
Balance at 31 December 2008	838.3	–	31.5	22.8	5.6	4.8	64.7
New share capital subscribed	–	488.8	–	–	–	–	–
Cancellation and disposal of treasury shares	(247.5)	–	–	–	–	–	–
Issuance of equity instruments	–	–	–	–	–	5.5	5.5
Share-based payment credit	1.0	–	–	–	–	–	–
Actuarial loss as defined benefit pension schemes	(141.8)	–	–	–	–	–	–
Deferred tax asset recognised	87.6	–	–	–	–	–	–
Transfer to retained earnings	488.8	(488.8)	–	–	–	–	–
Exchange differences on translation of overseas operations, net of tax	–	–	–	(5.0)	–	–	(5.0)
Increase in fair value of hedging derivatives	–	–	–	11.5	–	–	11.5
Other financing costs	(0.5)	–	–	–	–	–	–
Net loss for the year	(640.4)	–	–	–	–	–	–
Balance at 31 December 2009	**385.5**	**–**	**31.5**	**29.3**	**5.6**	**10.3**	**76.7**

Merger relief reserve

In accordance with Section 612 of the Companies Act 2006 the £488.8m premium on ordinary shares issued as part of the placing and open offer in June 2009 was initially recorded within the merger relief reserve, and subsequently transferred to the retained earnings.

The merger relief reserve is not distributable but can be used to:

- Make a bonus issue of fully paid shares;
- Transfer to the retained earnings an amount equal to the amount that has become realised by virtue of either:
  – The disposal of the related investment; or
  – An amount written off the related investment and charged against the retained earnings.

During 2008 £1,934.2m was transferred to retained earnings to offset the write down charged to the profit and loss account of the investment to which the reserve related.

Other reserves

Capital redemption reserve

The capital redemption reserve arose on the historical redemption of parent Company shares, and is not distributable.

Translation reserve

Translation reserve consists of exchange differences arising on the translation of overseas operations. It also includes changes in fair values of hedging derivatives where such instruments are designated and effective as hedges of investment in overseas operations.

Share-based payment tax reserve

As explained in the statement of accounting policies, an expense is recorded in the Group's income statement over the period from the grant date to the vesting date of share options granted to employees. As there is a temporary difference between the accounting and tax bases, a deferred tax asset is recorded. The deferred tax asset arising is calculated by comparing the estimated amount of tax deduction to be obtained in the future (based on the Company's share price at the balance sheet date) with the cumulative amount of the expense recorded in the income statement. If the amount of estimated future tax deduction exceeds the cumulative amount of the remuneration expense at the statutory tax rate, the excess is recorded directly in equity, in this share-based payment tax reserve.

Other reserve

As detailed in Note 7, the Group issued 57.8m of warrants with a fair value of £5.5m. The full cost of the warrants was recognised in the Other reserve on their issuance.

27. Own shares

	£m
Balance at 1 January 2008	282.0
Disposed of on exercise of options	(6.3)
Balance at 31 December 2008	275.7
Cancellation of treasury shares	(245.9)
Disposed of on exercise of options	(24.8)
Balance at 31 December 2009	**5.0**

As part of the equity raise process in June 2009 92.7m treasury shares held outside of the employee share ownership trusts were cancelled with an associated charge to retained earnings of £222.7m. This did not impact distributable reserves.

The own shares reserve represents the cost of shares in Taylor Wimpey plc purchased in the market, those held as treasury shares and held by the Taylor Wimpey plc Employee Benefit Trust to satisfy options under the Group's share plans.

During the year, Taylor Wimpey plc purchased none of its own shares (2008: nil).

	2009 Number	2008 Number
These comprise ordinary shares of the Company:		
Treasury shares	**–**	92.7m
Shares held in trust for bonus, option and performance award plans	**3.3m**	6.8m
	3.3m	99.5m

Employee Share Ownership Trusts ('ESOTs') are used to hold the Company's shares ('shares') which are either acquired on the market or (during 2008) transferred out of the Company's holding of shares in Treasury. These shares are used to meet the valid exercise and/or vesting of conditional awards (under the deferred bonus plan and performance share plan) and options (under the Savings-Related, Executive Share Option, George Wimpey LTIP and Executive Bonus Plans) over shares, and the matching award of shares under the Share Purchase Plan. During the year, nil (2008: 10.0m) shares were transferred out of the Company's Treasury holding to the ESOTs for this purpose.

The ESOTs' entire holding of shares at 31 December 2009, aggregating 3.3m shares (2008: 6.7m), was covered by outstanding options and conditional awards over shares at that date.

28. Notes to the cash flow statement

	2009 £m	2008 £m
Loss on ordinary activities before finance costs – continuing	**(543.0)**	(1,798.2)
– discontinued	**–**	2.1
Non-cash exceptional items:		
Impairment of goodwill	**–**	699.8
Impairment of fixed assets	**0.5**	–
Impairment of brands and software development	**–**	116.3
Inventories write downs	**527.0**	1,012.8
Adjustments for:		
Amortisation of brands	**–**	2.4
Amortisation of software development costs	**–**	4.3
Depreciation of plant and equipment	**4.2**	7.9
Share-based payment charge	**1.0**	6.0
Loss on disposal of property and plant	**0.2**	1.0
(Decrease)/increase in provisions	**(3.1)**	6.8
Operating cash flows before movements in working capital	**(13.2)**	61.2
Decrease in inventories	**735.0**	393.7
Decrease in receivables	**25.4**	135.9
Decrease in payables	**(432.6)**	(390.8)
Pension contributions in excess of charge	**(44.7)**	(44.1)
Cash generated by operations	**269.9**	155.9
Income taxes received	**109.1**	112.6
Interest paid	**(172.7)**	(114.9)
Net cash from operating activities	**206.3**	153.6

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with an original maturity of three months or less.

Movement in net debt

	Cash and cash equivalents £m	Bank overdrafts and bank loans £m	Debenture loans £m	Total net debt £m
Balance 1 January 2008	130.0	(720.7)	(824.7)	(1,415.4)
Cashflow	577.8	(525.7)	1.4	53.5
Foreign exchange	44.5	(66.1)	(145.8)	(167.4)
Balance 31 December 2008	752.3	(1,312.5)	(969.1)	(1,529.3)
Cashflow	(595.8)	1,124.9	200.4	729.5
Business disposals*	–	4.1	–	4.1
Foreign exchange	(24.4)	22.4	46.8	44.8
Balance 31 December 2009	**132.1**	**(161.1)**	**(721.9)**	**(750.9)**

* In April 2009 the Group disposed of its residual construction operations to existing local management for £1. At the point of disposal the business had bank loans of £4.1m.

29. Contingent liabilities and capital commitments

General

The Company and certain subsidiary undertakings have, in the normal course of business, given guarantees and entered into counter-indemnities in respect of bonds relating to the Group's own contracts and given guarantees in respect of the Group's share of certain contractual obligations of joint ventures.

The Group has entered into counter-indemnities in the normal course of business in respect of performance bonds.

Provision is made for the Directors' best estimate of all known legal claims and all legal actions in progress. The Group takes legal advice as to the likelihood of success of claims and actions and no provision is made where the Directors consider, based on that advice, that the action is unlikely to succeed or a sufficiently reliable estimate of the potential obligation cannot be made.

The Group has no material capital commitments as at 31 December 2009 (2008: nil).

30. Operating lease arrangements

The Group as lessee

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2009 £m	2008 £m
Within one year	**7.0**	8.4
In more than one year but not more than five years	**22.4**	26.6
After five years	**19.5**	12.3
	48.9	47.3

Operating lease payments principally represent rentals payable by the Group for certain office properties and vehicles.

31. Share-based payments

Equity-settled share option plan

Details of all equity-settled share-based payment arrangements in existence during the year are set out in the paragraphs on 'Executive share-based reward' in the Directors' Remuneration Report on pages 41 to 50.

Schemes requiring consideration from participants:	2009 Options	2009 Weighted average exercise price (in £)	2008 Options	2008 Weighted average exercise price (in £)
Outstanding at beginning of year	**46,642,667**	**1.01**	15,460,002	2.72
Granted during the year	**19,276,238**	**0.39**	42,697,752	0.69
Lapsed during the year	**(9,140,769)**	**1.32**	(11,273,011)	2.07
Exercised during the year	**(101,330)**	**0.26**	(242,076)	1.92
Cancellations during the year	**(6,609,462)**	**0.41**	–	–
Open offer adjustment(1)	**19,168,430**	**0.51**	–	–
Outstanding at the end of the period	**69,235,774**	**0.52**	46,642,667	1.01
Exercisable at the end of the period	**2,181,578**	**2.19**	2,649,887	2.58

The weighted average share price at the date of exercise for share options exercised during the period was £0.41 (2008: £1.73). The options outstanding at 31 December 2009 had a range of exercise prices from £0.11 to £3.22 (2008: £0.16 to £4.57) and a weighted average remaining contractual life of 4.5 years (2008: 6.3 years).

Schemes not requiring consideration from participants include the George Wimpey Long Term Incentive Plan and the Performance Share Plans.

Schemes not requiring consideration from participants:	2009 Options	2009 Weighted average exercise price (in £)	2008 Options	2008 Weighted average exercise price (in £)
Outstanding at beginning of year	**10,732,296**	**–**	10,091,435	–
Granted during the year	**8,756,641**	**–**	9,695,831	–
Lapsed during the year	**(1,425,497)**	**–**	(9,047,250)	–
Exercised during the year	**(37,732)**	**–**	(7,720)	–
Cancellations during the year	**(24,351)**	**–**	–	–
Open offer adjustment(1)	**5,317,219**	**–**	–	–
Outstanding at the end of the period	**23,318,576**	**–**	10,732,296	–
Exercisable at the end of the period	**198,320**	**–**	175,153	–

(1) On 1 June 2009 the Group undertook the placing and open offer, as detailed in Note 24. As a result all outstanding share based awards were adjusted by a formula approved by HM Revenue and Customs and agreed with the Group's Auditors.

The Conditional awards outstanding at 31 December 2009 had a weighted average remaining contractual life of 1.7 years (2008: 8.2 years).

For share plans with non-market conditions granted during the current and preceding year, the fair value of the awards at grant date was determined using the Binomial model. The inputs into that model were as follows:

	2009	2008
Weighted average share price	**£0.39**	£0.38
Weighted average exercise price	**£0.39**	£0.69
Expected volatility	**57%**	37%
Expected life	**3/5 years**	3/5 years
Risk free rate	**3.1%**	4.4%
Expected dividend yield	**0.0%**	0.5%

The weighted average fair value of share awards granted during the year is 21p (2008: 10p).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term.

31. Share-based payments (continued)

For share awards with market conditions granted during the current year, the fair value of the awards was determined using the Monte Carlo simulation model. The inputs into that model were as follows:

	2009	2008
Weighted average share price	**£0.38**	£0.69
Weighted average exercise price	**nil**	nil
Expected volatility	**70%**	40%
Expected life	**3/7 years**	3 years
Risk free rate	**2.8%**	4.3%
Expected dividend yield	**0.0%**	0.9%

The weighted average fair value of share options granted during the year is 27p (2008: 33p).

Expected volatility was determined by calculating the historical volatility of the Group's share price over the expected term, however due to the exceptional volatility in this financial year we have excluded the period between 1 May 2008 and 31 October 2008 as allowed by IFRS 2 Share-based payment. The expected life used in the model is based on historical exercise patterns.

The Group recognised total expenses of £1.0m and £6.0m related to equity-settled share-based payment transactions in 2009 and 2008 respectively. In 2008, £1.6m related to the accelerated vesting of share options held by employees of Taylor Woodrow Construction, which was disposed of on 9 September 2008, and which is included in profit from discontinued operations in the income statement.

32. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this Note. Transactions between the Group and its joint ventures are disclosed below.

Trading transactions

During the year, Group companies' purchases from joint ventures totalled £26.1m (2008: £8.1m). Purchases were based on open market values.

Remuneration of key management personnel

Details of the remuneration of the Directors and Executive Committee, who are the key management personnel of the Group, are contained in the audited part of the Remuneration Report on pages 41 to 50 and form part of these financial statements.